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Report Highlights:

Broiler production in 2006 is forecast to grow moderately to 672,000 tons, 5 percent above production in 2005. Avian influenza (AI) and rising input costs, particularly fuel, are expected to hinder potential for more rapid growth in 2006. The 2005 production estimate has been reduced due to a temporary drop in demand that occurred when three human AI-related deaths were reported.

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SECTION I – SITUATION AND OUTLOOK

Production

Broiler output is forecast to reach 672,000 tons in 2006, just 5 percent above that in 2005. The sector will still be operating at well below full capacity, and this forecast is about 60,000 tons below the record output achieved in 2003. However, Avian Influenza (AI) and rising input costs hinder any expectations for more rapid growth. AI is now endemic in Indonesia, with cases reported from North Sumatra, throughout Java, South Sulawesi, Kalimantan, and in many of the Islands of Eastern Indonesia. Twenty-one of Indonesia's thirty-three provinces have reported cases. While the number of reported cases has declined significantly since the beginning of the outbreak in August 2003, and vaccination has reportedly been successful in curbing the disease in the largest integrators' production and breeding facilities, the disease is proving almost impossible to eradicate from smaller production farms and back-yard flocks. The challenges hindering effective control of the disease include: lack of consistent reporting, lax implementation of animal movement controls and other bio security measures, unregulated live bird markets, inadequate resources to conduct mass culling and purchase vaccines, and the prevalence of backyard chickens among other avian species. These conditions are likely to continue unabated through 2006, limiting potential for faster growth in output.

In addition to AI, economic factors will likely restrain production prospects in 2006. Indonesia is expected to have to reduce fuel subsidies in the near future, increasing the cost of this important input for poultry producers. In addition, continued weakness in the rupiah will weigh heavily on the cost of imported inputs, particularly soy meal, corn, and breeder stock. These higher costs will further squeeze margins of an industry characterized by over-capacity and already struggling to maintain profits.

The 2005 production estimate has been reduced to 640,000 tons, or just 2 percent above 2004. Expectations for a stronger rebound in output in 2005 were dashed with the announcement in July 2005 of first human deaths related to AI. The news of the three deaths lead to wide and sometimes misleading coverage in the local press, causing a sharp drop in consumer confidence and a shock to demand. In the six weeks following the announcement, demand for poultry dropped in some locales as much as 25 percent as consumers turned away from chicken meat in favor of fish. In late August 2005, sales in local markets indicate demand has started to rebound, and as Ramadan approaches in October 2005, expectations are that demand will fully recover. However, fallout from the three human deaths are a continuing drag on consumer confidence, clouding future demand prospects, and any additional human cases would have a severe impact on demand and output.

Believing that a complete "stamping out" (i.e., culling) policy would not be economically viable, the Ministry of Agriculture has opted for culling only infected poultry, with mass vaccination and bio- security as the main front-line control measures. Reportedly this policy has been effective for larger companies with the capacity to purchase vaccines and the sophistication to implement strict bio-security measures, but these measures have not been fully implemented among smaller producers, and remain quite inconsistent and very difficult to implement at the village level among backyard poultry.

Day-Old-Chick (DOC) production for broilers in 2005 is estimated at approximately 19 million head/week or about 962 million per year and is expected to reach around 20 million in 2006. Four fully integrated, five semi-integrated, and sixty-four non-integrated breeder farms account for the chick production. The sector still relies on imported breeding stock.

Feed demand for poultry production (broiler and layer only) in 2005 is estimated to be around 5.8 million tons, (excluding that for swine, aquaculture, dairy and cattle feed, which is estimated at about 1 million tons) or 45 percent of the 11 million ton feed millers capacity from 26 companies (19 of them are the main players). Feed accounts for sixty to sixty-five percent of poultry production costs, and a high percentage of that is imported, particularly the protein needs. The poultry industry suffered another blow when the GOI banned U.S. Meat and Bone Meal (MBM) imports on July 1st 2005 due to the newly reported BSE case in the United States. The sector can now only import MBM from New Zealand or Australia. Feed demand is expected to rebound in 2006, but continued high fuel prices, as well as the weak local currency will continue to be constraints to the sector's potential.

With relatively low per capita broiler consumption and an increasing population, vast potential for further growth exists. However, the endemic AI problem, continued economic instability, and deficiencies in cold storage, distribution, and processing must still be overcome for the sector to achieve a path of continued steady growth.

Consumption

Following the demand shock associated with the report of human AI deaths in 2005, consumption is forecast to rebound about 5 percent in 2006. Consumption dropped about 20 percent after the human AI deaths were announced in July 2005, but by August 2005, consumer confidence was returning, and the sector is hopeful that consumption will fully rebound as Ramadan approaches in October 2005. Interestingly, quick-service chain outlets, located almost exclusively in urban areas, reported normal sales during the time when demand in the rest of the sector dropped. This indicates the growing role these outlets now play with urban consumers. For 2005, broiler meat consumption is estimated at 640,000 tons, or 2.9 kg/capita/year (projected 220 million population at 2005), which is still well below many of Indonesia's ASEAN neighbors. While consumption in 2005 is expected to show a slight year-to-year increase, it is much less than what was estimated prior to the fallout from the human AI cases.

Trade

The ban on imported U.S. chicken parts implemented in September 2000 continues, and imports of other poultry meat remain relatively insignificant. One poultry company was exporting a minor quantity of processed poultry products to Japan prior to the appearance of AI in 2003. Eligibility to export to Japan has not been reinstated since the confirmation of AI.

Policy

As stated above, the de-facto ban on U.S. leg quarters imports remains, and no change in this policy is expected. In January 2005, the Government of Indonesia (GOI) released a revised list of agriculture tariffs, including an increase on that for chicken leg quarters (HS 0207 14 2500) from 5 to 25%. This led some in the sector to believe that the ban had been lifted. While theoretically leg quarter imports could occur, GOI has still not approved any U.S. plants to export broiler parts, and the ability of these products to be certified *Halal* in the United States is still questioned by local authorities. Furthermore, the Ministry of Agriculture controls trade through the issuance of import permits, which are withheld for poultry parts. The GOI has stated that for leg quarter imports to resume, first an "overall

review" of the U.S. poultry inspection system and *Halal* certification process must be completed, and then individual plants must be reviewed.

Even after completing the above procedural requirements, it is questionable whether the local poultry industry would allow leg quarter imports to resume. The sector remains adamantly opposed to allowing U.S. leg quarter imports, which they view as one of the primary "threats" to the health of the industry, even though imports haven't occurred for almost five years. While concern over "*Halal*" certification was used as the original justification for the barrier and still is by GOI, the private sector still couches the ban more in economic terms as a needed protectionist measure. As an indication of how the sector might react to any easing of leg quarter imports, in March 2005 the Ministry of Agriculture agreed to open the border to imports of poultry products from certain areas of Malaysia. The Ministry quickly had to rescind this decision just a few weeks later due to the outcry from the local poultry industry.

Efforts to remove the ban on U.S. broiler parts can be expected to provoke a fierce backlash from the local industry. Meanwhile, the sector continues to represent one of the most important buyers on U.S. agriculture products in Indonesia. Total purchases (feed components and live chicks) by the industry in 2005 are estimated to be around \$150 million.

Additional information

Please visit the following website to find any related information in " Bahasa Indonesia":

<http://www.poultryindonesia.com>; <http://www.trobos.com>; <http://www.efeedgrain.com>; <http://www.pinsar.com>, <http://www.deptan.go.id>.

SECTION II – STATISTICAL INFORMATION AND TABLES

Table 1: Production, Supply and Demand: Poultry, Meat, Broiler**PSD Table**

CountryIndonesia

CommodityPoultry, Meat, Broiler

	2004		2005		(1000 MT)(MIL HEAD)	
	USDA Official [Old]	Revised Post Estimate [New]	USDA Official [Old]	Estimate Post Estimate [New]	2006 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Inventory (Reference)	104	104	111	105	0	110
Slaughter (Reference)	742	742	799	757	0	795
Beginning Stocks	0	0	0	0	0	0
Production	627	627	675	640	0	672
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	627	627	675	640	0	672
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	627	627	675	640	0	672
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	627	627	675	640	0	672
TOTAL Use	627	627	675	640	0	672
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	627	627	675	640	0	672
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Note:

Inventory: population divided by 8 (the number of slaughter cycle per year)

Slaughter: 90% of population (10% mortality)

Production: 65% of slaughter (head to weight) x average live bird weight (1.3 kg)

Table 2: Poultry, Meat, Broiler, Price

Prices Table

Country Indonesia

Commodity Poultry, Meat, Broiler

Prices in per uom

Year	2004	2005	% Change
Jan	12,300	13,150	7%
Feb	11,625	12,675	9%
Mar	11,950	12,325	3%
Apr	12,325	11,700	-5%
May	12,110	12,125	0%
Jun	12,650	13,288	5%
Jul	13,375	13,800	3%
Aug	12,630		
Sep	11,170		
Oct	12,038		
Nov	12,850		
Dec	12,810		

Exchange Rate Local Currency/US \$

Date of Quote MM/DD/YYYY

**Table 3: Average Retail Prices of Beef and Poultry Meat 2004
(at the Jakarta Markets)**

Month	Beef (Rp./kg)	Poultry Meat (Rp./kg)
January	36,875	12,300
February	36,825	11,625
March	37,400	11,950
April	37,450	12,325
May	36,775	12,110
June	36,325	12,650
July	36,425	13,375
August	36,340	12,630
September	36,575	11,170
October	29,800	12,038
November	43,007	12,850
December	42,675	11,810

Source: Center for Market Information (PIP), Ministry of Trade

**Table 4: Average Retail Prices of Beef and Poultry Meat 2005
(at the Jakarta Markets)**

Month	Beef (Rp./kg)	Poultry Meat (Rp./kg)
January	43,525	13,150
February	43,675	12,675
March	44,900	12,325
April	44,700	11,700
May	44,375	12,125
June	46,300	13,288
July	45,550	13,800
August		
September		
October		
November		
December		

Source: Center for Market Information (PIP), Ministry of Trade

Table 5: Average Farm Gate Prices of Poultry Meat 2004 in Indonesia

Month	2004 (Rp./kg)	2005 (Rp./kg)
January	8,023	8,820
February	4,518	8,260
March	5,466	7,016
April	7,590	7,062
May	8,978	8,278
June	8,621	8,335
July	9,094	8,130
August	7,922	7,176
September	6,671	
October	7,183	
November	8,163	
December	8,325	

SOURCE: Market Information Center for Poultry Products (PINSAR), compiled by FAS/Jakarta

Table 6: Poultry Meat Tariffs

Harmonize System Code	Description of Goods (HS Number)	2004 Import Duty (%)	VAT (%)	2003 Import Duty (%)	VAT (%)
02.07	Meat and edible offal of the poultry of heading No. 01.05, fresh, chilled or frozen				
	-Of fowls of the species Gallus domesticus				
0207.11.000	Not cut in pieces, fresh or chilled	5	10	5	10
0207.12.000	Not cut in pieces, frozen	5	10	5	10
0207.13.000	Cuts and offal, fresh or chilled	5	10	5	10
0207.14.000	Cuts and offal, frozen				
0207.14.1000	Wings	5	10	5	10
0207.14.2000	Thighs	25	10	5	10
0207.14.3000	Livers	5	10	5	10
0207.14.9000	Others	5	10	5	10
0207.24.000	Not cut in pieces, fresh or chilled	5	10	5	10
0207.25.000	Not cut in pieces, frozen	5	10	5	10
0207.26.000	Cuts and offal, fresh or chilled	5	10	5	10
0207.27.000	Cuts and offal, frozen	5	10	5	10
	-Of ducks, geese or guinea fowls				
0207.32.000	Not cut in pieces, fresh or chilled	5	10	5	10
0207.33.000	Not cut in pieces, frozen	5	10	5	10
0207.34.000	Fatty livers, fresh or chilled	5	10	5	10
0207.35.000	Other, fresh or chilled	5	10	5	10
0207.36.000	Other, frozen	5	10	5	10
1601.00.000	Sausages and Similar Products, of meat, meat offal or blood; food preparations based on these products	5	10	5	10
1602.32.000	Meat, meat offal or blood of fowls prepared or prepared	5	10	5	10

Source: 2005 Government of Indonesia Tariff Book

Table 7: Feed Demand – Strategic Indicator Tables for Indonesia**ANIMAL INVENTORIES-Beginning of Year (in heads)**

Country: Indonesia		Last Year	Current Year	Out Year Forecast
Report Year: 2004	2003	2004	2005	2006
Poultry (including ducks)	1,238,169,802	1,283,164,666	1,347,322,899	1,414,689,044
Hogs	6,150,535	6,568,894	6,897,339	7,035,286
Dairy Cattle	373,753	381,635	419,799	440,789
Goats	12,722,082	13,441,699	14,113,784	14,819,473
Beef Cattle & Buffalo	12,963,562	13,298,516	14,628,368	15,359,786

MEAT PRODUCTION (in metric tons)

Country: Indonesia		Last Year	Current Year	Out Year Forecast
Calendar Year: 2004	2003	2004	2005	2006
Poultry				
Poultry Meat (including ducks)	1,137,975	1,164,401	1,199,333	1,259,300
Eggs (including ducks)	973,590	1,051,365	1,156,502	1,272,152
Pork	177,093	185,652	181,628	199,791
Beef	369,711	380,059	369,281	406,209
Goat	63,866	69,628	63,018	69,320

COMPOUND FEED SECTOR (in 1,000 mt)

Country: Indonesia		Last Year	Current Year	Out Year Forecast
Calendar Year: 2004	2003	2004	2005	2006
Compound Feed Capacity	10,000	10,000	12000*)	12000*)
Total Compound Feed Produced	6,800	6,500	6,800	7,100
----- by integrated producers	5,100	5,100	5,300	5,500
----- by commercial producers	1,700	1,400	1,500	1,600

Note: *) Including aquafeed

FEED GRAIN USE (in 1,000 mt)

Country: Indonesia		Last Year	Current Year	Out Year Forecast
Marketing Year: 2004/2005	2003	2004	2005	2006
Corn (Domestic consumption: feed)	3,750	3,500	3,600	3,750
Other:				
Wheat (Domestic consumption: feed)	50	50	50	50
Rice (Domestic consumption)	36,000	35,850	35,600	35,600

PROTEIN - ENERGY USAGE (in 1,000 mt)				
Country: Indonesia		Last Year	Current Year	Out Year Forecast
Marketing Year: 2004/2005	2003/2004	2004/2005	2005/2006	2006/2007
Total Protein Meal (feed waste domestic consumption)	1,978	2,040	2,130	2,218
Soy Bean Meal (feed waste domestic consumption)	1,470	1,500	1,550	1,597
Other Protein Meal:				
Palm Kernel Meal (feed waste domestic consumption)	444	475	515	556
Rape Meal (feed waste domestic consumption)	5	5	5	5
Fish Meal (feed waste domestic consumption)	n.a	n.a	n.a	n.a
Sunflower Meal	0	0	0	0
Cottonseed Meal	0	0	0	0
Feather Meal	0	0	0	0
Meat Meal	0	0	0	0
Palm Oil (feed waste domestic consumption)	59	60	60	60

TRADE (in 1,000 mt)				
Country: Indonesia		Last Year	Current Year	Out Year Forecast
Calendar Year: 2004	2003	2004	2005	2006
Corn				
Imports:	1,343	1,000	700	800
Exports:	31	40	50	60
Soy Beans				
Imports:	1,207	1,160	1,200	1,230
Exports:	0	0	0	0
Soy Bean Meal				
Imports:	1,800	1,600	1,400	1,600
Exports:	0	0	0	0
Fish Meal				
Imports:	48	53	55	55
Exports:	5	6	6	6

Sunflower Meal				
Imports:	0	0	0	0
Exports:	0	0	0	0
Rape Meal				
Imports:	57	63	65	65
Exports:	0	0	0	0
Cottonseed Meal				
Imports:	2	2	2	3
Exports:	8	12	12	15
Meat Bone Meal & Hydrolyzed Feather Meal				
Imports:	361	300	200	246
Exports:	0	5	5	5
Meat Meal				
Imports:	2	1	1	1
Exports:	0	0	0	0
Peanut Meal				
Imports:	5	68	20	20
Exports:	3	0	0	0
Palm Oil				
Imports:	4	5	5	5
Exports:	6,386	7,000	7,500	8,000

TARIFFS AND TAXES				
Country: Indonesia				Other
Report Year: 2004	Product	Bound Rate	Applied Rate	Import
HS Code:	Description	(%)	(%)	Taxes/Fees
0505.9	Feather Meal	40	5	10
1501.00.00.60	Yellow Grease	40	5	10
1502.00.00.40	Inedible Tallow	40	5	10
1511	Palm Oil	40	0	10
1518	Anml/Vg Fats & Oils	40	5	10
2301.10	Meat & Bone Meal	40	0	10
2301.20	Fish Meal	40	0	10